
Board Action Bulletin



Prepared by the Office of External Affairs

NCUA BOARD MEETING RESULTS FOR DECEMBER 15, 2005

2006 NCUSIF normal operating level set at 1.30 percent

The NCUA Board voted to retain the current 1.3 percent National Credit Union Share Insurance Fund (NCUSIF) normal operating level for 2006. The normal operating level, also referred to as the equity ratio, was set at 1.30 percent for 2006 based upon a projected outlook of minimal credit union problems, the well-capitalized position of credit unions and a healthy NCUSIF.

The Credit Union Membership Access Act of 1998 mandates the NCUA Board annually establish a normal operating level between 1.2 and 1.5 percent based on critical elements affecting the operating level, which include:

- Fluctuation in insured shares;
- Semiannual insured credit union deposit adjustments;
- Reserves established to cover potential and actual insurance losses;
- Problem code credit unions; and
- Credit union failures.

The NCUSIF normal operating level is defined as the ratio of fund equity less unreserved contingent liabilities divided by insured shares.

Indirect vehicle loan servicing proposal issued

The NCUA Board issued proposed rule Part 701.21(h) to regulate federally insured credit unions' purchase of indirect vehicle loans serviced by third-parties.

Issued with a 60-day comment period, the proposal would act to limit the aggregate amount of indirect vehicle loans serviced by any single third-party to a percentage of the credit union's net worth. NCUA proposes a two-step regulatory limit for these indirect, outsourced loan programs. For the first 30 months of a new relationship, the limit would be 50 percent of a credit union's net worth. After 30 months of experience, the credit union could increase its participation in the vendor's program to 100 percent of net worth.

A credit union able to demonstrate appropriate initial and ongoing due diligence may apply to NCUA for a waiver to obtain higher limits.

Purchase and assumption rule finalized

The NCUA Board approved final rule Section 741.8 to clarify which asset or account transfers require NCUA Board approval.

The final rule adds transactions involving the sale or purchase of loans or other assets between federally insured credit unions to the list of transactions exempt from the NCUA approval requirement. For transactions that require approval, the amendment describes the process for submitting the approval request.

Member business loan rule finalized

The NCUA Board approved final revisions to Part 723, Member Business Loans (MBLs), clarifying capital requirements for making certain unsecured MBLs, revising definitions for consistency and practical application, and clarifying NCUA's position regarding rescission of state member business loan rules.

The final rule clarifies the minimum capital requirements a federally insured corporate credit union must meet to make unsecured MBLs to members that are not member credit unions or corporate credit union service organizations. Adopted as proposed, federally insured corporate credit unions must comply with the capital requirements noted in Part 704 of NCUA's regulations.

The definition of net worth was amended to be more consistent with how that phrase is defined in the Federal Credit Union Act and Prompt Corrective Action regulation.

The definition of construction or development loans was amended to include certain loans to borrowers who have already acquired a piece of property. Examples are provided to offer guidance.

The final rule notes NCUA has entered into a memorandum of understanding with the United States Department of Agriculture to identify and promote appropriate USDA Rural Development programs to credit unions and a similar memorandum of cooperation with the Export-Import Bank of the U.S. The rule indicates it would take into account comments received supporting expanding opportunities for credit unions to more fully participate in government guaranteed loan programs when considering future amendments to the MBL rule.

Board votes are unanimous unless indicated